

HOWARD COUNTY
DEPARTMENT OF RECREATION
AND PARKS
CONCESSION AND EVENT REVENUE
AUGUST 2002

January, 2003

The County Council and County Executive
of Howard County, Maryland

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, we
have conducted a review of selected activities of the

DEPARTMENT OF RECREATION AND PARKS
CONCESSION AND EVENT REVENUE

and our report is submitted herewith. The scope of our examination related specifically to a review
of policies and procedures over the operations of various programs. The body of our report presents
our findings and recommendations.

The contents of this report have been reviewed with the Chief Administrative Officer, and
the Director of Recreation and Parks and other applicable staff members. We wish to express our
gratitude to the staff of the Department of Recreation and Parks for the cooperation and assistance
extended to us during the course of this engagement.

Ronald S. Weinstein, C.P.A.
County Auditor

Lisa L. Geerman, C.P.A.
Auditor-in-Charge

INTRODUCTION AND SCOPE

The Office of the County Auditor has performed a review of the revenues and expenditures for various programs at the Department of Recreation and Parks. We examined the concessions operation at Centennial Park, which includes the snack bar, the general store, and rentals at the boat dock. We also reviewed operations at the swimming pool at the Roger Carter Recreation Center. Our examination included observation and counting of inventories, review of records, and surprise cash counts. We determined what policies and procedures are currently in effect.

We found a significant number of areas in need of improvement both in record keeping and documented policies and procedures. Several areas lacked internal controls and are, therefore, subject to error, misappropriation, theft or misstatement. The details of our examination follow.

INVENTORY

The Department of Recreation and Parks operates concessions at Centennial Park. Special events are also offered throughout the year at the park. Concessions include the snack bar, the general store, where fishing goods can be purchased, and the boat dock, where canoes and paddle boats can be rented. The inventory for these operations is located at Centennial Park. Most of these activities occur during the summer months.

When we began our audit of inventory for concessions and special events, the Department of Recreation and Parks did not have any records on the inventory. The employee who was responsible for tracking inventory information had left the department. The position had been vacant for a period of about eight months. During that time, no inventory records had been maintained. Our staff, along with the Concessions Manager, counted the inventory in the warehouse and the general store on August 10, 2001. We did this to get an idea of what the inventory included and the quantity that was on hand. Unfortunately, we were unable to calculate the total value of the inventory without any cost figures. We were also unable to estimate the value of the inventory without any record of the purchase prices or item numbers. We can, however, state that the total amount spent on food for concessions and special events for FY 2001 was approximately \$60,000, and therefore, the inventory value was significantly lower than this figure. We were also unable to compare our inventory count to any records since none exist. Actual revenue from sales of food at the snack bar and general store and at special events was approximately \$130,000 during FY 2001. There is a 100% mark-up on all items except soda, candy and specials.

Some observations we made during our inventory count included an inability to ascertain by observation whether an item was to be included in the inventory, for example we found some cups which are no longer used, and some lids which fit no cups. Some very old, dirty, discolored items were still on the shelves. Also, some cleaning supplies were not separated from the inventory. There was no list, current or otherwise, of the items which should be in inventory. Since our count, the department has obtained an updated version of the Peachtree inventory system which is compatible with the computer system. Current purchases and usage have been entered. The new employee has entered the prior purchase requisition and sales information as well. The current concessions and special events inventory balance according to the computer system is negative because no beginning balances were included. It is imperative that the records be adjusted to accurately reflect the value of the inventory as soon as possible. We therefore recommend that:

1. *A physical inventory count be taken and adjustments be made so that the perpetual inventory records reflect the actual amounts on hand. Non-inventory items should be separated from inventory and obsolete items should be discarded.*

Administration's Response:

A physical inventory will be taken as soon as possible and non-inventory items will be separated from the concession inventory and that obsolete inventory will be disregarded.

During our review it came to our attention that the department is not maintaining sufficient documentation when inventory is removed from the warehouse. For example, this division stocks several soda machines. There are no requisition forms for the removal of sodas from inventory to stock the machines. When items are removed for catering events, a requisition request form is completed by the Concessions Manager. At the end of the event if all items are not used, there is no documentation of items being returned to the warehouse or a report listing the amount of wasted items. If additional inventory is needed for a special event that wasn't included on a requisition form, the inventory is just removed from the warehouse without the completion of any forms. In addition, the requisition forms that we reviewed were vague as to the items taken. For example, there are various types of ice cream such as snow cones, ice cream sandwiches, and cookie sandwiches that are sold at special events, and each one is a different inventory item. However, the requisition form listed ice cream without specifying the type of ice cream. When inventory is requested, it should be recorded clearly on the requisition form by its exact inventory name. We therefore recommend that:

2. *A requisition form be completed for all inventory that is taken out of the warehouse. The requisition form should include signatures by the employee making the request, by the supervisor approving the request and by the employee receiving the items. Prior to issuance of the items, sales from the location should be reviewed to determine if the inventory requested is reasonable.*

Administration's Response:

The procedure for the use of the requisition form for inventory items from the warehouse will be used and signed by the employees involving in the transaction. We believe that the requisition form that we presently are using is sufficient to track inventory items taken or used by the concession operation.

3. *The requisition form be modified to provide easy identification of the actual items that are removed from the warehouse.*

Administration's Response:

Modification of the requisition form for easy identification will be done as soon as possible.

Once the inventory is sent to the various locations, such as the general store or the snack bar, no record is maintained of the usage or sales of any specific items. The Sales Clerk periodically completes a requisition request when it appears that they are running low on a particular item. Once this requisition is received by the Concessions Manager, he removes the items from the warehouse, delivers them to the proper location and signs as the receiver. In addition to there being no control of the inventory once it leaves the warehouse, there is no segregation of duties. We therefore recommend that:

4. *An employee other than the one removing the inventory from the warehouse sign for the inventory once it is received.*

Administration's Response:

Will make every effort to have an employee other than the concession manager sign the requisition forms when removing items from inventory.

5. *All divisions of concessions be required to maintain daily sales reports showing the amount of items sold and the amount of spoilage or waste. The department should consider purchasing inventory tracking system software that would be compatible with the cash registers for monitoring sales.*

Administration's Response:

All areas of cash flow within the concession operation will make an effort to maintain a daily sales report that shows the amount of spoilage or waste.

From our review, we were unable to ascertain that any internal controls were being adhered to due to insufficient record keeping. Inventory balances should be monitored and reconciled to sales to ensure that all inventory is accounted for, and discrepancies should be promptly investigated and resolved. Access to the concession sales area and inventory storage area should be restricted to authorized personnel. An inventory tracking system should be in place and all transactions for inventory should be recorded. Procedures must be implemented immediately to control inventory.

The biggest potential problem in a concession operation is employee theft. Therefore, it is absolutely essential that internal controls be in place and strictly enforced to guard against this problem. We therefore recommend that:

6. **Inventory balances of selected items be monitored and reconciled at each location, and also reconciled to the sales per the register to ensure the proper accounting of all inventory.**

Administration's Response:

The supervisor of the Concession Manager will make periodical inventory monitoring to assure the proper accounting of all inventory.

7. **When discrepancies surface, they be promptly investigated and resolved, and documented on the inventory reconciliation form.**

Administration's Response:

If there are discrepancies that surface, they will be investigated as soon as it is possible to resolve the issues involved.

8. **A physical inventory be taken more than once a year. During the summer, selected items should be counted monthly.**

Administration's Response:

Every effort will be made to count on a monthly basis or to make on a monthly basis a physical inventory.

9. **Inventory requisition forms be prepared whenever inventory is removed for special events. Unused items should be recorded on the requisition form and added back to inventory after the event has taken place.**

Administration's Response:

Every effort will be made to inventory items taken out of inventory for special events and then recorded on a requisition form and added back into the inventory once the event has been completed. We have had this procedure for many years but because of staff turnover over the last year and half, have not been able to complete it.

10. **Special event revenue be reconciled with the inventory used at the special event. This should be documented.**

Administration's Response:

Special event revenues will be reconciled with the inventory that is used for that special event. We will complete a special event requisition form and will develop a special event requisition of inventory form.

11. ***Perpetual and physical inventories be reconciled immediately after the physical inventory count. Any differences should be reported to management.***

Administration's Response:

After the monthly physical inventory count any perpetual or physical inventories will be reconciled immediately and the differences will be reported to management.

We compared the FY 2001 revenue amounts provided by the Department of Finance to those provided by the Department of Recreation and Parks. Total revenues from concession sales were \$127,428 according to the Department of Recreation and Parks and \$131,136 according to the Department of Finance. There was a variance of \$3,708. Total revenues from the boat dock in FY 2001 were \$40,339 according to the Department of Finance.

We reviewed the cash collection procedures with the staff. For the boat dock, general store and snack bar, the controls are adequate and in place. However, for special events and soda machines, there are no internal controls in place. The Concessions Manager collects the cash, prepares the deposit slip and takes the deposit to the bank. The soda machine money is collected at the same time that the machines are stocked. The cash is not counted at the time it is collected. It is placed in a bank bag and counted by the bank. A reconciliation between the total soda sold and the total cash collected should be performed when the deposit slip is received. After each special event, a reconciliation between sales and cash should be performed, and someone other than the one counting the cash should make the deposit. We therefore recommend that:

12. ***Cash collections from soda machines and special events be reconciled against sales.***

Administration's Response:

It will be very difficult for the concession operation to reconcile the cash collection from soda machines and special events without additional manpower to perform the tasks involved in such reconciliation. We can indicate by a requisition form how much soda was bought during a given time period and the amount of soda machines and the soda machine revenues taken in for the same time period deducting the mark

up. This should reconcile with the requisition inventory used for the soda machines. We will also have a requisition for each special event inventory used and total revenues for that specific special event. To reconcile on a daily basis the cash collection for soda machine would be very labor intensive, the task would be more than our present staffing allows.

Auditor's Comment:

We are not recommending that cash collections from soda machines be reconciled on a daily basis, but rather when deposit slips are received from the bank. We concur that the proposed reconciliation is adequate, provided it is done in a timely manner.

For FY 2001, we compared the Department of Finance's records for expenditures for food to the records maintained by the Department of Recreation and Parks. This reconciliation was difficult because the Department of Finance does not break down the expenditures by function. According to the Department of Finance, the total expenditures for food was \$184,116. Total expenditures for food according to the Department of Recreation and Parks was \$189,554. This amount was broken down into four categories:

Concessions	\$ 60,815
Warehouse	85,392
Programs	18,948
Child Care	24,399

After adjustments totaling \$7,707, the variance between the two departments was \$2,269. This variance is due to other food costs not associated with concessions and special events and not specifically examined in our audit. We therefore recommend that:

13. ***The Department of Finance add additional object codes to the financial system to account for the four different functions for which food is purchased. This would enable the Department of Recreation and Parks to better track and reconcile food expenditures by function.***

Administration's Response:

We will ask the Department of Finance to add additional object codes to the financial system for the different function numbers involved in food purchases. Hopefully, this will allow the Department of Recreation and Parks to reconcile food expenditures by function.

CASH COUNTS

Centennial Park

As part of our audit, we performed several surprise cash counts. We visited Centennial Park on July 31, 2001 and counted the cash at the snack bar, the general store, and the boat dock. We noted that the beginning daily cash balance at all three locations is \$100. The snack bar and the general store are both managed by the same person who takes the deposit to the bank daily in the morning. The boat dock is managed separately by a different person who takes the deposit to the bank daily in the morning. The first count was at the snack bar. We compared the sales recorded on the cash register with the cash in the cash drawer. We found no discrepancies. The cash is locked up at the end of the day. We then counted the cash at the boat dock. We found a discrepancy which required further investigation. The cash register had inadvertently not been cleared out for the prior day. Once that fact was taken into account, the sales did reconcile to the cash count. Ultimately, the issue was resolved and no differences were found. Sales should be easily reconciled to the cash count. We therefore recommend that:

14. *Cash registers be cleared out daily in order to better reconcile sales records and cash counts.*

Administration's Response:

The concession operation will clear out on a daily basis. The sales records and cash counts from the previous days in order to better reconcile these accounts.

Lastly, we counted the cash at the general store. This too agreed with the records. At the end of the day, the cash is put in a cabinet which does not lock, however, it appears to be locked. There is a security system which adequately safeguards the operations. Cash should always be kept in a secure, locked place. We therefore recommend that:

15. *A new lock be purchased to secure the cash at the general store.*

Administration's Response:

A new lock has been purchased to secure the cash at the general store.

Roger Carter Recreation Center

We also performed a surprise cash count at the swimming pool at the Roger Carter Recreation Center. We counted the cash on August 14, 2001. We were unable to reconcile the cash counted to the sales at the time of our count because the cash register did not have any register tape. A new cash register had recently been placed in service, however, no tape had been purchased for the register. A beginning cash balance of \$50 is maintained. We observed quite a few pennies in the cash register. We also found seven daily deposit envelopes in the safe awaiting deposit. We were told that deposits are generally made daily by the Facility Manager, however, that did not appear to be the case on the day of our visit. We opened and reviewed all of these sealed daily deposits and found no other issues. The deposits are prepared daily by the Pool Manager and are placed in the safe. The Facility Manager retrieves the envelopes and deposits them in the bank. We therefore recommend that:

16. **The cash register be maintained with the proper tape, the register be totaled at the end of the day, and the sales be reconciled to the cash collected. Miscellaneous coins should be deposited since they are not needed to make change.**

Administration's Response:

The cash register tape at the Roger Carter Recreation Center will be totaled on a daily basis to verify the sales for that day and miscellaneous coins will be deposited because they are not needed to make change.

17. **Bank deposits be prepared and deposited in the bank daily.**

Administrations' Response:

The Roger Carter Recreation Center pool operation will deposit all monies on a daily basis at the required bank.

Weekly attendance records are kept, broken down as to the number of adults and children. Total attendance was 13,734 during the calendar year 2001 season and 18,324 during the calendar year 2000 season. No records are kept to substantiate these figures. No details are kept of attendance by type other than by adult or child. Children under age two are admitted free of charge. Many patrons purchase punch cards at a reduced rate. There are also a large number of people who come to the pool who have already paid for a program or camp which included the pool admission. This revenue is not received by the pool. Because of the lack of documentation, it is impossible to correlate actual attendance with pool revenue. This leaves the monies received for attendance

vulnerable to theft and misappropriation. We therefore recommend that:

18. **Daily pool attendance records be kept by type of admission.**

Administration's Response:

The staff at the Roger Carter Recreation Center pool will keep accurate attendance records by type of admission and will have a weekly report to identify said attendance.

The pool is not a self-sustaining operation. Estimated costs are \$41,000 per year. Revenue from pool admissions is required to be included in the general fund. However, we found a significant amount of revenue in the self-sustaining fund in FY 2001 and FY 2002. In FY 2001, \$12,495 of \$31,656 in total revenue was recorded in the self-sustaining fund. In FY 2002, \$24,330 was recorded in the self-sustaining fund. No revenue for FY 2002 was properly recorded in the general fund. The Head Cashier prepared a journal entry to correct this during our audit. Pool memberships are not purchased at the pool itself, but rather at the department's central offices. These pool memberships are also recorded in the self-sustaining fund. Though not a significant source of revenue, these memberships should also be included in the general fund. We therefore recommend that:

19. **In order to properly reflect actual revenues and expenditures of the program, care be taken to ensure that revenues are recorded in the appropriate fund.**

Administration's Response:

The Department of Recreation and Parks will make every attempt to put the actual expenditures and revenues of the program at Roger Carter Recreation Center in the appropriate fund.

Since there was not adequate information for us to do an extensive review of procedures, we will revisit this division of the Department of Recreation and Parks in the near future. At that time, we will review all the changes that have been made to the procedures, perform tests to ascertain that the proper controls are in place, and perform an inventory count to determine if the records are in agreement, and to verify that the inventory system is being maintained in a timely manner.

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